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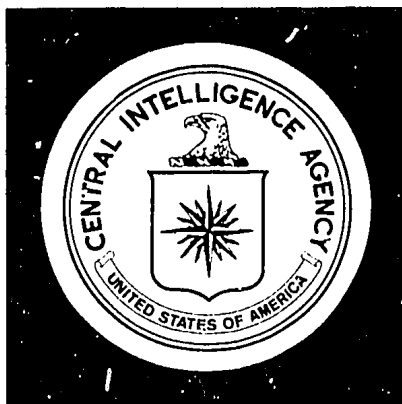
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Note: Comments and queries on the contents of this publication are welcomed. They may be directed to [REDACTED]

SECRET**ECONOMIC INTELLIGENCE WEEKLY****Notes****More US Equipment Likely for Soviet Truck Project**

The way has been cleared for US firms to sell about \$62 million in equipment for the Kama truck complex, in addition to the \$130 million already purchased by the Soviets. Financial guarantees have been arranged for \$192 million for Kama. The Export-Import Bank and Chase Manhattan each will back 45% of the credits, and the Soviet Foreign Trade Bank the remaining 10%. Repayments will start in 1977 at an annual interest rate of 6% on the unpaid balance. A Soviet purchasing commission, set up in New York last January, is handling contract arrangements for Kama.

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India's Wheat Outlook Improves

Continued favorable weather for the spring wheat crop probably has reinforced India's decision to delay large-scale foodgrain imports. Rains and moderately cool weather in northern and western India during late February and March have improved prospects for wheat. Drought has continued, however, in most other spring crop areas, and the food situation in many areas apparently is more serious than official public statements have indicated. Local officials in West Bengal, Orissa, and Bihar, states thought not previously to have been hit seriously by drought, have urgently requested American voluntary agencies to increase emergency food assistance.

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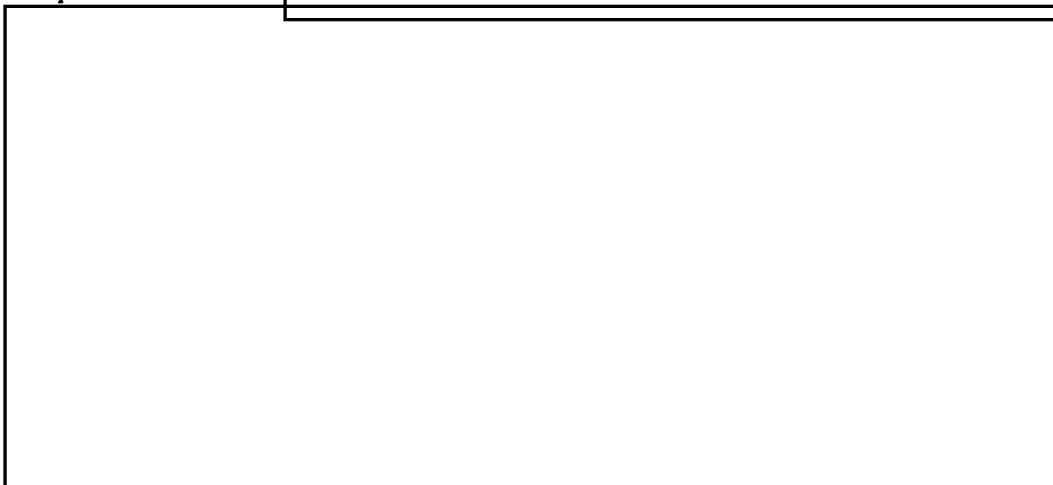
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Australia Tries to Raise Wheat Production

The national wheat board has raised its advance payments to wheat growers by 9% and the wheat production quota by 16% to 524 million bushels. These measures probably will not induce much shift in acreage into wheat since prices for other grains as well as beef and wool have increased dramatically in the past year. With normal weather conditions, however, there should be a substantial increase over last year's output. Only about 40% of the 1972/73 quota was filled because of poor weather, and Australia was unable to fill all of its export contracts with domestically produced wheat.

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East Germany Seeks More Western Credit

For the second consecutive year, Pankow is looking West for some \$500 million in new credits, a significant part of which may be supplied by US banks.

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[Redacted] Substantial new credits are required if East Germany is to absorb the impact of Soviet economic difficulties and appease its own population by providing more consumer goods.

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Articles

Siberian Oil and Gas Development

Oil and gas reserves in Siberia will become increasingly significant to the USSR:

- Reserves in older oilfields are declining rapidly.
- Through 1975 Central Asia will be the source of increased gas, but after that most increases in output will come from Siberia.

Siberia has very large reserves of oil and gas, but bogs and permafrost make drilling and pipelining difficult. A proposed cooperative venture with the United States for export of natural gas from Urengoy in Western Siberia is important because:

- Gas reserves in Siberia are large enough to supply the United States and Western Europe and also to make a growing contribution to the USSR's domestic consumption.
- US technology for laying pipe in permafrost will expedite Soviet exploitation of Siberia.
- Exports of gas could provide substantial new hard-currency earnings during the 1980s.

Another proposed venture to pipe gas from Yakutsk in Eastern Siberia to the Pacific for sale as LNG to Japan and the United States is not yet viable.

- Proved reserves in Yakutsk are still too small and reservoir conditions are not promising.

A proposal to ship oil by pipeline 4,200 miles from Tyumen' to Japan would benefit the USSR principally by facilitating supply of the Soviet Far East.

- The Tyumen' oil could be shipped more easily to Europe. Reserves and hence production, however, probably will not be sufficient within the next decade to permit sustained large-scale exports of Tyumen' oil to both Europe and Japan without adversely affecting domestic consumption.

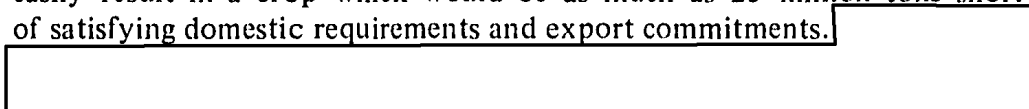
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Soviets Begin New Grain Negotiations



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The Soviet winter grain crop got off to a bad start, but a successful spring crop would recoup these losses. The Soviet leaders will not have a reasonable appreciation of the probable size of the 1973 crop until early July, after winter grains have reached maturity and spring grains are in the critical "heading" stage. With a successful sowing campaign, normal weather, and average yields, a record crop of 153 million tons could be harvested, compared with 134 million tons in 1972 and the previous record of 150 million tons in 1970. Assuming continued pursuit of the 1975 livestock goals, a normal increase in the demand for grain for other uses, and export commitments equal to those in FY 1973, total demand for grain this year could reach 165 million tons. Thus the Soviets would need to import at least 12 million tons of grain and more if they decide to rebuild buffer stocks for future harvest shortfalls. Subnormal weather could easily result in a crop which would be as much as 25 million tons short of satisfying domestic requirements and export commitments.



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EC Common Agricultural Policy

US grain exports should benefit if the EC Commission's recommended price increases for agricultural products are accepted. The forthcoming review of the CAP also may bring changes helpful to US agricultural sales in future years.

The Commission's price proposals for the 1973/74 marketing year would raise support prices for most products under the CAP. By providing significantly higher boosts for beef and pork than for wheat and corn, however, the Commission seeks to shift output from grain to livestock products. The resulting increase in the demand for animal feed, of which the Community has a sizable deficit, should further increase US feed grain exports to the Community. The Council must rule on the price proposals by 1 May.

The Commission's price hike proposals also seek to restore common prices within the EC and eliminate the patchwork of compensatory taxes and subsidies prompted by EC currency shifts during the past year. The Commission is recommending smaller price increases in West Germany and the Benelux countries, whose currencies have appreciated, and larger increases in Italy.

The Commission also announced its intention to review the CAP later this year. EC Commissioner for Agriculture Lardinois and several other Commissioners favor reduced reliance on high price supports and have recommended income grants for poor farmers. These policy changes would tend to reduce EC agricultural production and increase imports. In the short run, the prospects for such changes are not favorable. Over the longer run, however, such reforms are increasingly likely because of rising dissatisfaction with the CAP's cost, its failure to provide adequate incomes for many farmers, the administrative problems posed by currency crises, and British determination to hold down food costs.

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Bangladesh: Need for Aid Continues*

Economic recovery in Bangladesh has been slow, and the need for massive outside assistance continues. Widespread famine has been forestalled only by large-scale food relief.

- Almost 2.6 million tons of foodgrains, roughly one-fifth of total foodgrain consumption, were imported in 1972. Rice production for the crop year ending in June will be the lowest in six years, and Dacca estimates this year's foodgrain deficit at 3 million tons.
- Except for the export-oriented jute industry, the industrial sector remains depressed because of shortages of imported machinery and raw materials, the loss of Pakistani markets, and the overwhelming priority of the food problem.

World Bank members will meet in Dacca Saturday to discuss further aid requirements.

- The United States, which accounted for more than one-fourth of aid pledges in 1972, will likely be the largest donor this year. India, racked by severe drought, is unlikely to repeat its aid effort of \$262 million in 1972.
- Of the 1.7 million tons of food aid requested by Bangladesh for 1973, only 660,000 tons have been pledged thus far - including 200,000 tons from the United States.

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In the short run, the most that can be expected of foreign aid to Bangladesh is that widespread deaths from famine be averted. Timely foreign support probably can furnish minimum subsistence for the rapidly growing population but is unlikely to generate appreciable economic momentum.

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Publications of Interest

South Vietnam's Exports: Recent Developments and Prospects
(CIA ER IM 73-33, March 1973, [redacted])

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South Vietnam's exports, depressed by the war and equal to only a small fraction of imports, nearly doubled in 1972 to about \$23 million. The resurgence was helped by the long overdue devaluation of the piaster. Shrimp and logs were the main export items. Given the continuation of existing government subsidies, South Vietnamese exports could reach \$50 million in 1973.

Trading and Cooperation with Hungary
(CIA ER IM 73-34, March 1973, [redacted])

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Hungarian-US trade, which amounted to only \$35 million in 1972, could be substantially expanded if MFN status is granted. Unlike other East European countries, Hungary offers considerable freedom for foreign firms to deal directly with industrial enterprises.